
**DEPARTMENT
POLICY****FIP and SDA**

In some circumstances benefit payments can, or must, be restricted to someone other than the program group. This involves a protective payee or mandatory vendor payments.

A **protective payee** is a person/agency selected to be responsible for receiving and managing the cash assistance on behalf of the group as a third party.

Mandatory vendor payments are shelter payments made by Michigan Department of Health and Human Services (MDHHS), without the client's request, directly to the group's landlord, mortgage or land contract holder. Mandatory vendoring can also include heat and electric payments to a utility company.

Restricted payments are **required** in any of the following circumstances:

- Court-ordered shelter arrearage collection.
- Third-party resource disqualification.
- Minor parent.
- Substance abuse.
- Client convicted of a drug-related felony.
- Money mismanagement.
- A child(ren) receiving FIP has a legal guardian.
- Eviction or threatened eviction.

Note: Restricted payments apply to only a **current** eviction or threatened eviction. Third-party payments, **not** mandatory vendoring, are required if the local office has been informed that the housing unit fails to meet local housing codes. The protective payee should assist the family to locate housing which meets the codes.

Restricted payments are a local office **option** when the grantee has demonstrated a need for assistance in handling benefit payments but does not meet any of the circumstances above; see "Demonstrated Need For Money Management Assistance" in this item.

Electronic Benefit Transfer (EBT)

EBT allows clients to receive cash benefits (FIP & SDA) electronically. Protective payees are issued a Bridge Card for the client's cash benefits. When there is a protective payee, the client cannot access his/her cash account. Clients still have access to their food assistance benefit account.

Shelter Arrearage

FIP and SDA

Initiate mandatory vendoring when a shelter provider presents a certified copy of a **court judgment** to collect unpaid rent or the cost of damages to rental property from a member of the eligible group. This applies even if the group was not active when the debt was incurred or the person(s) named in the order was not in the group at that time.

Exception: Do **not** initiate or continue mandatory shelter arrearage vendoring when made aware that the rental property has been found to be in violation of local housing codes by the local housing authority.

Assume the court document is valid unless it appears questionable. Send a questionable document to the Office of Legal Services in central office for review.

File clear on the person(s) named in the order and do one of the following:

- If the person is a FIP/SDA applicant or recipient in your county/district, vendor the arrearage.
- If the person has a recipient ID number but is not a current FIP/SDA applicant or recipient, file the order in the case record for possible future action.
- If the person was never issued a recipient ID number, return the order to the provider with that explanation.

Multiple Court Orders

If a **second** court order affects the same eligible group, pend it until the first order is paid in full. Do **not** attempt to implement two court orders at once.

THIRD-PARTY RESOURCE DISQUALIFICATION

FIP

Restrict payments when the grantee is disqualified for failing to identify a third-party resource; see BEM 257. Use a protective payee, if possible.

Exception: The disqualified grantee may continue to receive warrants for the child(ren) as an ineligible grantee **if**:

- No suitable protective payee is found, despite all reasonable efforts; **and**
- Prolonging the search might be detrimental to the child(ren).

Note such a circumstance on the DHS-1171; the DHS-223, Documentation Record; or other appropriate document for placement in the Eligibility Packet of the case record.

Minor Parent Grantee

FIP

Restrict payments (via protective payee, if possible) when the eligible group consists of a **minor parent grantee** and his/her dependent child who live:

- With the minor parent's legal guardian or other adult relative, **or**
- In an adult-supervised living arrangement (for example, foster care).

If possible, the payee should be the responsible adult in the home (such as, relative, legal guardian, or designated staff of the adult-supervised living arrangement).

BEM 201 defines and explains these circumstances.

Money Mismanagement

FIP and SDA

Restrict payments when the grantee endangers his/her own or an eligible child's health or safety by mismanaging benefits.

When money mismanagement might exist (for example, contact from a provider or services specialist), evaluate whether restricted payments are necessary. Complete a DHS-838, Documentation of Money Mismanagement, and file it in the case record.

Evaluate possible money mismanagement when the client:

- Requests SER benefits, and required payments have **not** been made.
- Fails to meet basic obligations (for example, shelter, heat, utilities or health care).
- In **FIP only**, fails to properly feed and clothe a child.
- Incurs debts for **nonessential** items, limiting the ability to pay essential bills.

Restricted payments are appropriate **only if** money mismanagement resulted from the grantee's negligence. This does **not** include the following situations:

- Someone in the group had an emergency which required spending available money.
- Bills for **essential** items exceeded the grant and other income.
- A payment was withheld over a legitimate dispute with the provider (for example, landlord) as to whether the terms of an agreement were met.

Determining the Restricted Payment Type

A decision to use mandatory vendoring **or** send the entire grant to a third party should reflect the seriousness of the money mismanagement. However, use mandatory vendoring if undue time is required to find a payee.

Substance Abuse

SDA

Restrict payments when substance abuse is a contributing factor to the disability; see BEM 261.

Use a protective payee, if possible. If a protective payee cannot be obtained, use vendor payments for shelter, heat, and electric to the extent possible.

Client Convicted of a Drug-Related Felony

FIP

Restrict payments when the grantee has been convicted, for conduct occurring after August 22, 1996, of a felony for the use, possession, or distribution of controlled substances.

Use a protective payee, if possible. If a protective payee cannot be found use vendor payments for shelter to the extent possible.

Eviction or Threatened Eviction

FIP and SDA

Restrict payments when verification indicates the eligible group is being evicted, or threatened with eviction, from its **current** rental unit **for nonpayment of rent**. This applies even if the case was not active when the debt was incurred or the person(s) named was not in the eligible group at that time.

The verification must clearly identify the client. It includes but is not limited to:

- A court order, other court judgment, or court filing document clearly stating that rent is in arrears.
- A notice of intended eviction that cites nonpayment of rent as the reason.
- An application for SER (or in Wayne County, Emergency Services) for a shelter deposit and/or first month's rent by a

homeless shelter resident whose homelessness was caused by nonpayment of rent.

Note: Local offices may grant exceptions to mandatory vendoring in order to address extenuating circumstances (for example, illegal eviction document or unresolved landlord-tenant dispute).

Legal Guardian

FIP

When there is a legal guardian of a child(ren) receiving FIP, the legal guardian must be a protective payee for the FIP.

Demonstrated Need for Money Management Assistance

FIP and SDA

In very limited and compelling circumstances, the local office may assist a grantee in managing money through restricted payments, even though there is no current money mismanagement. Demonstrated reasons may include:

- Developmental disability.
- History of mental disorders.
- Chronic money mismanagement during past periods of assistance.

See Determining the Restricted Payment Type above.

Protective Payee

FIP and SDA

Either a specialist or the client may suggest a third-party manage the group's cash benefits. It may be a relative or friend of the group, a volunteer worker, a member of a private agency that provides protective service or money management counseling or, at the local office director's option, a services worker. The protective payee was formerly referred to as the third-party payee.

Exception: In a minor parent case, the grantee's legal guardian or other supervising adult must be appointed protective payee unless

that person is unable to manage the benefit payments; see BEM 201.

Determine whether the suggested payee is suitable. Ensure that the person is all of the following:

- Concerned with the group's welfare.
- Willing to receive and manage the grant.
- Willing to help the group learn to manage money.
- Able to keep adequate records and receipts of how the grant is spent.

The following **cannot** be a protective payee:

- Members of the eligible group.
- Local office director or management staff.
- FIS/ES determining the group's financial eligibility.
- Anyone handling financial matters of the group.
- Special investigative or resource staff.
- Provider of goods or services to the group (for example, landlord, grocer).

Vendoring in Restricted Cases

FIP and SDA

Mandatory vendor payments are usually authorized when only the shelter, heat or utility obligation is mismanaged **or** when a protective payee **cannot** be found.

Mandatory vendoring is limited to the monthly combined shelter, heat and utility expenses **and** must leave a minimum \$2.00 cash grant (such as, grant amount after deducting income, vendor payments and any recoupment amounts).

To receive vendored payments, providers must furnish their federal employer ID number, Michigan temporary ID number or social security number, and enroll as a provider.

In money mismanagement cases, initiate third-party payments to a protective payee (not vendoring) in the following situations:

- The provider refuses to furnish his tax ID number (see above) or enroll as a provider.
- MDHHS is notified by the government agency/unit which enforces the local housing code that:

- The rental unit does **not** meet standards for such housing, **and/or**
- The landlord has **not** followed the community's housing code policies and procedures.
- The landlord, without good cause, refuses to cooperate in available weatherization or conservation programs determined necessary to reduce energy consumption to an acceptable level.

Stop mandatory vendoring when MDHHS learns and verifies that the property reverted to the State of Michigan due to unpaid taxes; see "Reviews" in this item.

Heat and Electric Vendoring

For **FIP**, heat/electric vendoring **cannot** be mandatory. However, urge the client to enroll in voluntary vendoring to help correct money mismanagement; see BAM 425.

For **SDA**, mandatory heat/electric vendoring is a local office option.

Setting Vendor Priorities

FIP and SDA

If the total does **not** allow the minimum \$2.00 cash benefit, decide what to vendor to best meet the group's needs. In money mismanagement cases, the following order of priority is suggested:

1. Shelter arrearage.
2. Shelter.
3. 2nd shelter (for example, mobile home lot rental).
4. Heat (or combined heat and electric).
5. Electric.
6. Heat arrearage.
7. Electric arrearage.

Note: Priority vendoring negates certain voluntary vendoring requirements. See the "**VENDOR PAYMENTS**" section in BAM 425.

Notices of Restricted Payments

FIP and SDA

Send the group a DHS-898, Money Management Evaluation Notice, when evaluating the need for restricted payments.

After the evaluation, send another DHS-898 **if** you determine that restricted payments are not necessary.

When starting **or** stopping third-party payments, send:

- A DHS-3797, Protective Payee Appointment Notice, to the payee, **and**
- A DHS-3869, Protective Payee Assignment, to the client.

FIP

Give the group **timely notice** before starting restricted payments. Calculate the pended begin date for third-party payments.

SDA

In SDA, restricted payments are not negative actions. Therefore, give the group **adequate notice**.

Reviews

FIP and SDA

Review restricted payment status when appropriate but **at least at every** determination. Schedule the review with other case reviews when possible. The client, however, has the right to request and be granted a review of the restricted payment status every six months.

Review the status immediately if vendoring must stop because the property reverted to the State of Michigan; see **Vendoring in Restricted Cases** in this item.

For money mismanagement cases, examine the progress of the protective payee and/or client in managing the group's money.

For third-party resource disqualifications, examine the payee's money management ability and the client's willingness to cooperate

in identifying a third-party resource. See the **DISQUALIFICATION** section in BEM 257.

In minor parent cases, examine how the supervising adult has managed the benefit payments.

Resuming Restricted Payments

FIP and SDA

Restricted payments stop automatically at closure and due to certain coding changes.

When reinstating a case or processing such a coding change, resume restricted payments. The following factors apply:

- A new money mismanagement evaluation is not required.
- Reflect the current living situation in the budget.
- Mandatory vendoring documentation in effect at the closure or coding change is sufficient.

Interoffice Transfers

FIP and SDA

Transfer of a case to another local office might result in a new protective payee or provider(s), but it does not affect the requirement for restricted payments. Continuity of the restricted payments must be ensured.

Time Limits

FIP and SDA

In third-party resource disqualifications, continue restricted payments until the person's cooperation is verified. See **Removing a Third-Party Resource Disqualification** in BEM 257.

In minor parent cases, continue restricted payments until the client no longer meets the minor parent definition in BEM 201.

In money mismanagement cases, restrict payments for 24 months (consecutive or otherwise) **or** until the problem is resolved, whichever occurs first. If it appears the problem will last beyond 24

months, notify Services staff to arrange for protection of the children and/or a guardian.

Note: Restricted payments may continue beyond 24 months if the court denies or refuses to accept a guardianship petition.

Hearings

FIP and SDA

The group may request a hearing to dispute a decision to begin or continue restricted payments or to dispute the selection of a protective payee.

Continue restricted payments until the hearing matter is resolved.

LEGAL BASE

FIP

P.A. 280 of 1939, as amended

P.A. 235 of 1995

P.A. 109 of 1997

R 400.3106

SDA

Annual Appropriations Act

Michigan Administrative Code; R 400.3151-400.3180

R300.4151 - 400.3180MAC